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TOPSECRET

FAR EAST

1. CHINA: Li plans new government site on mainland—Acting President Li Tsung-jen has informed US Charge Strong in Hong Kong that he intends eventually to establish a government in Kwangsi Province, stressing that he will never agree to a government on Taiwan. Strong doubts, however, that the current impasse between Li and Chiang Kai-shek can be resolved in Li's favor primarily because:

(a) Li will be unable to retain the loyalty and services of competent people during his planned absence from China; and (b) Li's efforts to establish a new government site will continue to be complicated by a need for funds.

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NO CHANCE in Class.	
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